MONTANA LEGISLATIVE HISTORY

Chapter Sp. Sess. 19 2000

Bill H 1 S _____ Original bill & history X C

H. Committee on Appropriations			S. Committee on Finance & Claims		
Hearing Date(s)	5/8	X C	Hearing Date(s)	5/6	X C
& Exec Action		C	& Exec Action		C
		C			C
		C			C
Date Out		C			

Did this bill originate in an interim committee? ____Yes ____No

Committee _____ Report _____

Montana Legislature
Detailed Bill Information

Bill Draft Number:	LC0004	Current Bill Text
Bill Type - Number:	HB 1	
Short Title:	Statutory appropriations for economic development programs contained in HB 260	
Primary Sponsor:	Karl Ohs	

Bill Actions - Current Bill Progress: Became Law
Bill Action Count: 50

Action - Most Recent First	Date	Votes Yes	Votes No	Committee
(H) Chapter Number Assigned	05/23/2000			
(H) Signed by Governor	05/22/2000			
(H) Transmitted to Governor	05/19/2000			
(S) Signed by President	05/18/2000			
(H) Signed by Speaker	05/17/2000			
(H) Returned from Enrolling	05/11/2000			
(H) Sent to Enrolling	05/11/2000			
(H) 3rd Reading Passed as Amended by Senate	05/11/2000	82	16	
(H) 2nd Reading Senate Amendments Concurred	05/11/2000	82	16	

(S) Returned to House with Amendments	05/10/2000			
(S) 3rd Reading Concurred	05/10/2000	47	3	
(S) Scheduled for 3rd Reading	05/10/2000			
(S) 2nd Reading Concurred	05/10/2000	47	3	
(S) Scheduled for 2nd Reading	05/10/2000			
(S) Committee Report--Bill Concurred as Amended	05/10/2000			(S) Finance and Claims
(S) Committee Executive Action--Bill Concurred as Amended	05/10/2000	14	1	(S) Finance and Claims
(S)Hearing	05/09/2000			(S) Finance and Claims
(S) Hearing	05/08/2000			(S) Finance and Claims
(S) Referred to Committee	05/08/2000			(S) Finance and Claims
(S) First Reading	05/08/2000			
(H) Transmitted to Senate	05/08/2000			
(H) 3rd Reading Passed	05/08/2000	80	18	
(H) 2nd Reading Passed as Amended	05/08/2000	80	18	
(H) Scheduled for 2nd Reading	05/08/2000			
(H) Committee Report--Bill Passed as Amended	05/08/2000			(H) Appropriations
(H) Committee Executive Action--Bill Passed as Amended	05/08/2000	10	8	(H) Appropriations

(H) Hearing	05/08/2000			(H) Appropriations
(H) Referred to Committee	05/08/2000			(H) Appropriations
(H) First Reading	05/08/2000			
(H) Review Executive Action>	05/08/2000			(H) Appropriations
(C) Sent to Printing	05/03/2000			
(H) Committee Executive Action--Bill Passed as Amended	05/02/2000	10	7	(H) Appropriations
(H) Hearing	04/27/2000			(H) Appropriations
(H) Referred to Committee	04/26/2000			(H) Appropriations
(C) Introduced Bill Text Available Electronically	04/24/2000			
(H) Introduced	04/24/2000			
(C) Pre-Introduction Letter Sent	04/24/2000			
(C) Draft in Assembly/Executive Director Review	04/24/2000			
(C) Draft in Final Drafter Review	04/24/2000			
(C) Draft in Input/Proofing	04/24/2000			
(C) Draft in Legal Review	04/24/2000			
(C) Draft Back for Redo	04/24/2000			
(C) Draft in Final Drafter Review	04/21/2000			
(C) Bill Draft Text Available Electronically	04/21/2000			
(C) Draft in Input/Proofing	04/21/2000			

(C) Draft to Drafter/Edit Review (CAJ)	04/21/2000			
(C) Draft in Edit	04/21/2000			
(C) Draft in Legal Review	04/21/2000			
(C) Draft to Requester for Review	04/19/2000			
(C) Draft Request Received	04/19/2000			

Sponsor, etc.

Sponsor, etc.	Last Name/Organization	First Name	Mi
Requester	Mercer	John	A
Drafter	Petesch	Greg	
Primary Sponsor	Ohs	Karl	

Subjects

Description	Revenue/Approp.	Vote Majority Req.	Subject Code
Appropriations (see also: State Finance)	Appropriation	Simple	APP
Planning and Development		Simple	PLDV

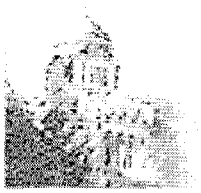
Additional Bill Information

Probable Fiscal Note:	No
Preintroduction Required:	N
Session Law Ch. Number:	10
DEADLINE	
Category:	Appropriation Bills
Transmittal Date:	05/13/2000
Return (with 2nd house amendments)	05/13/2000

Date:	

Section Effective Dates

Section(s)	Effective Date	Date Qualified
Sections 1, 3, and 5-10	22-MAY-00	
Sections 2 and 4	01-JUL-01	



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Last Modified:11/7/2002 4:56:36 PM

HOUSE BILL NO. 1

INTRODUCED BY K. OHS

A BILL FOR AN ACT ENTITLED: "AN ACT IMPLEMENTING THE PROGRAMS THAT WERE NOT FUNDED BECAUSE OF THE INVALIDITY OF THE COAL PRODUCER'S LICENSE TAX BY STATUTORILY APPROPRIATING THE INTEREST INCOME FROM $140 MILLION OF THE COAL SEVERANCE TAX PERMANENT FUND THAT IS DEPOSITED IN THE GENERAL FUND FOR THE TREASURE STATE ENDOWMENT PROGRAM, FOR THE COOPERATIVE DEVELOPMENT CENTER, FOR REIMBURSING TAX INCREMENT FINANCING INDUSTRIAL DISTRICTS, FOR THE GROWTH THROUGH AGRICULTURE PROGRAM, FOR BUSINESS RECRUITMENT, FOREIGN TRADE, A SMALL BUSINESS INNOVATION RESEARCH AND DEVELOPMENT CENTER, AND THE CERTIFIED COMMUNITIES PROGRAM, AND FOR RESEARCH AND COMMERCIALIZATION PROJECTS; AMENDING SECTIONS 15-35-108 AND 17-7-502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-35-108, MCA, is amended to read:

"**15-35-108. Disposal of severance taxes.** Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Twelve percent of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of 8.36% must be credited to an account in the state special revenue fund to be allocated by the legislature for local impacts, county land planning, provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

(4) The amount of 1.27% must be allocated to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) ~~Beginning July 1, 1997, and ending June 30, 1999, the amount of 0.87% must be allocated to an account in the state special revenue fund for the purpose of protection of works of art in the state capitol and for other cultural and aesthetic projects. Beginning July 1, 1999, the~~ The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund must be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(7) (a) ~~All~~ Subject to subsections (7)(b) and (7)(c), all other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state.

(b) The interest income from $140 million of the coal severance tax permanent fund that is deposited in the general fund is statutorily appropriated, as provided in 17-7-502, as follows:

(i) $2.3 million each year to the treasure state endowment program provided for in Title 90, chapter 6, part 7;

(ii) $65,000 each year to the cooperative development center;

(iii) $600,000 each year to the department of administration for the purpose of reimbursing tax increment financing industrial districts provided for in 7-15-4299;

(iv) $1.25 million each year for the growth through agriculture program provided for in Title 90, chapter 9; and

(v) $1.25 million each year to be used by the department of commerce for business recruitment, foreign trade, a small business innovation research and development center, and the certified communities program provided for in 90-1-116.

(c) There is transferred annually from the general fund $5 million to the research and commercialization expendable trust created in 90-3-1002."

Section 2. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency

without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 3-5-901; 5-13-403; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706; 15-31-702; 15-34-115; 15-35-108; 15-36-324; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-406; 16-1-411; 17-3-106; 17-3-212; 17-3-222; 17-6-101; 17-7-304; 18-11-112; 19-3-319; 19-6-709; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 20-8-107; 20-26-1503; 22-3-1004; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 37-43-204; 37-51-501; 39-71-503; 42-2-105; 44-12-206; 44-13-102; 50-4-623; 53-6-703; 53-24-206; 67-3-205; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 77-1-505; 80-2-222; 80-4-416; 80-11-518; 81-5-111; 82-11-161; 87-1-513; 90-3-1003; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for supplemental benefit; pursuant to Ch. 422, L. 1997, the inclusion of 15-1-111 terminates on July 1, 2008, which is the date that section is repealed; pursuant to sec. 10, Ch. 360, L. 1999, the inclusion of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is 10 years or less; and pursuant to sec. 4, Ch. 497, L. 1999, the inclusion of 15-38-202 terminates July 1, 2014.)"

NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

- END -

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E-MAIL COVER SHEET AND E-MAIL INVOICE

DATE: November 3, 2006

E-MAIL ADDRESS: cbowen@theglobal.net

TELEPHONE NO.: 587-4883

TO: Chip Bowen

ADDRESS: 1700 W. Koch, #3

Bozeman, MT 59715

FROM: Tammy A . Hinderman

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MINUTES

MONTANA SENATE
56th LEGISLATURE - SPECIAL SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on May 9, 2000 at 9:30 A.M., in Scott Hart Building.

ROLL CALL

Members Present:

Sen. Chuck Swysgood, Chairman (R)
Sen. Tom Keating, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. William Crismore (R)
Sen. Eve Franklin (D)
Sen. Greg Jergeson (D)
Sen. J.D. Lynch (D)
Sen. Dale Mahlum (R)
Sen. Ken Mesaros (R)
Sen. Ken Miller (R)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Mignon Waterman (D)

Members Excused: None.

Members Absent: Sen. Bob Keenan (R)
Sen. Mike Taylor (R)
Sen. Daryl Toews (R)

Staff Present: Taryn Purdy, Legislative Branch
Jodi Pauley, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted:
Executive Action: HB 1, BCIAA

EXECUTIVE ACTION ON HB 1

Motion/Vote: **SEN. LYNCH** moved **HB 1** be reconsidered for action. **Motion carried 13-0.**

Discussion:

CHAIRMAN CHUCK SWYSGOOD said in the previous meeting they took $425,000 out of the Treasure State Endowment Program,(TSEP) and put it into the certified cities program. The other part of the motion was that they use the $425,000 for engineering, developments, etc. and they took that out of the money available for grants from 2003 and on. This would reduce the amount of money available for loans and grants by $425,000 in the succeeding years after 2003.

SEN. TOM BECK said the smaller communities don't have engineering departments to help develop grants for their infrastructures. The TSEP grants are increasing faster than $425,000 per year and there will be more money for grants.

CHAIRMAN SWYSGOOD said they need to determine if the $425,000 is for a year or for the biennium.

SEN. BECK said his intent was to have it for the biennium.

CHAIRMAN SWYSGOOD said this won't be effective until the 2003 biennium. It is also a statutory requirement for five years.

REP. KARL OHS said in the bill the $425,000 is an annual amount.

Taryn Purdy, Legislative Branch, said the $425,000 is an annual amount and that is for certified communities. The TSEP should be a biannual amount.

SEN. ARNIE MOHL, said the $425,000 is not enough if it done biannual. These towns need help to develop water and sewer projects and would like to have this money available on an annual basis.

SEN. TOM KEATING said there are other sources of TSEP money available for these projects.

Jim Edgcomb, MT Treasure State Endowment Fund, said all of the money that is available for Treasure State Projects would be from the Treasure State Endowment fund. He said there are other sources of engineering funds.

SEN. KEATING asked how much is the allotted funds for a biennium for the TSEP program. **Jim Edgcomb** said the amount changes every biennium as it is a growing fund. It is growing by $2.5 to $3 Million per biennium.

SEN. KEATING asked what is the total for this biennium. **Jim Edgcomb** stated it is an estimated $12 Million.

Ray Beck, MT Department of Natural Resources and Conservation, said they have $400,000 that is used to apply for grant funds, $250,000 is used for community and waste water, and $250,000 for human resource projects.

SEN. BECK asked if this money used to be in a fund for engineering and development? **CHAIRMAN SWYSGOOD** said at one time this was proposed to be put into Long Range Building and it didn't make it.

CHAIRMAN SWYSGOOD said they are putting $425,000 into certified communities and have also taken $425,000 biannual appropriation out of the TSEP monies for on going engineering project beginning next biennium.

SEN. KEATING asked if the certified cities money is a statutory appropriation right now. **Taryn Purdy** said the way the bill is written it is a statutory appropriation through the year 2005.

Motion: **SEN. KEATING** moved **AMENDMENT HB000102.atp. EXHIBIT(1)**

Discussion:

CHAIRMAN SWYSGOOD explained the amendment HB000102.atp **(EXHIBIT 1)**. He said they reduced the EPSCor grants going to the University by $2 Million leaving them with $4.4 Million for match. He said he took what the Governor asked for and what the bill asked for and took the difference and put it back into the Board of Research and Commercialization. On page 8, line 22 it changes $1.5 Million to $2.35 Million and brings the total amount

in this bill to around $13.65 Million. He said he still has this concern that the board that was established does not have any part in this. He said this leaves $2.35 Million that the university system can go before the Board and ask for this money for research and development. That gives the Board some standing and also gives enough to the University system to get through the July 1 deadline with some of the monies. This would be effective immediately for the Board to dispense of in this biennium and then it goes down to about $4 Million after that.

Vote: Motion **carried 14-1 with Miller voting no.**

Motion: **SEN. LYNCH** moved **AMENDMENT HB000102.alh. EXHIBIT(2)**

Discussion:

SEN. LYNCH explained the amendment HB000102.alh. **(EXHIBIT 2)**

Vote: Motion **carried 15-0.**

Motion/Vote: **SEN. LYNCH** moved that **HB 1 BE CONCURRED IN AS AMENDED. Motion carried 14-1 with Miller voting no.**

ADJOURNMENT

Adjournment: 9:46 A.M.

SEN. CHUCK SWYSGOOD, Chairman

Jodi Pauley, Secretary

CS/jp

MINUTES

MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on May 8, 2000 at 3:35 P.M., in Scott Hart Building.

ROLL CALL

Members Present:

Sen. Chuck Swysgood, Chairman (R)
Sen. Tom Keating, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. William Crismore (R)
Sen. Eve Franklin (D)
Sen. Greg Jergeson (D)
Sen. J.D. Lynch (D)
Sen. Dale Mahlum (R)
Sen. Ken Mesaros (R)
Sen. Ken Miller (R)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Mignon Waterman (D)

Members Excused: None.

Members Absent: Sen. Bob Keenan (R)
Sen. Mike Taylor (R)
Sen. Daryl Toews (R)

Staff Present: Jodi Pauley, Committee Secretary
Taryn Purdy, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing(s) & Date(s) Posted: HB 1, 5/8/2000; HB 2, 5/8/2000
Executive Action: HB 1, BCIAA; HB 2, BCI

HEARING ON HB 2

Sponsor: REP. TOM ZOOK, HD 3, Miles City

Proponents: None

Opponents: None

Opening Statement by Sponsor:

REP. TOM ZOOK, HD 3, Miles City, said this is the feed bill and any money that is not spent in this bill will revert back to the General Fund.

Proponents' Testimony: None

Opponents' Testimony: None

Questions from Committee Members and Responses: None

Closing by Sponsor:

REP. TOM ZOOK closed on HB 2.

EXECUTIVE ACTION ON HB 2

Motion/Vote: SEN. LYNCH moved THAT ALL TESTIMONY RECEIVED ON HB 2 FROM THE JOINT FINANCE AND CLAIMS AND APPROPRIATION MEETING BE ENTERED INTO THE RECORD. Motion carried 15-0. EXHIBIT(1)

Motion/Vote: SEN. LYNCH moved that HB 2 BE CONCURRED IN. Motion carried 15-0.

HEARING ON HB 1

Sponsor: REP. KARL OHS, HD 33, Harrison

Proponents:

Peter Blouke, MT Dept. of Commerce
Evan Barrett, MT Economic Developers Assoc.
Dick Crofts, Commission of Higher Education
Ralph Peck, Department of Agriculture
Terry Minnow, MAMFT

Opponents: None

Motion/Vote: **SEN. LYNCH** moved **THAT ALL TESTIMONY THAT WAS HEARD ON HB 1 IN JOINT COMMITTEE OF FINANCE AND CLAIMS AND APPROPRIATIONS BE ENTERED INTO THE RECORD. Motion carried 15-0. EXHIBIT(2)**

A summary of **HB 1** as amended by House Appropriations was passed out to the committee. **EXHIBIT(3)**

Opening Statement by Sponsor:

REP. KARL OHS, HD 33, Harrison, said there was an amendment in the House that raised the amount to the Board of Regents for the EPSCor grants from $3 Million to $6.4 Million. The total amount in the bill is now about $14.4 Million.

Proponents' Testimony:

Peter Blouke, MT Dept. of Commerce, rose in support of **HB 1.** An amendment from **Rep. Bergsagel** cut out the funding for the certified communities and this is an important program.

Evan Barrett, MT Economic Developers Assoc., said they would like to offer an amendment that would take care of the certified cities and the need for pre-engineering monies to help communities get ready for Treasure State Endowment Programs (TSEP). He passed out some example of Certified Communities and matching funds. **EXHIBIT(4)** He said this about having people in communities who are capable of performing the economic development function when the State wants help. He said they would like to have certified communities reinserted for the full $425,000 and then to fund the pre-engineering money from the TSEP program. **EXHIBIT(5)** He said by putting the engineering money inside the program it makes a minimal impact on the program and

does not affect General Fund and will represent initially 3% of the TSEP program and will work its way down to 1.6%.

Dick Crofts, Commission of Higher Education, urged support of **HB 1.**

Ralph Peck, Department of Agriculture, said they support **HB 1.**

Terry Minnow, MAMFT, rose in support of **HB 1.**

Opponents' Testimony: None

Questions from Committee Members and Responses: None

Closing by Sponsor:

REP. OHS said an amendment that the money for the cooperative center would only be funded for one year rather than five also is in the bill.

EXECUTIVE ACTION ON HB 1

Motion: **SEN. KEN MESAROS** moved that **HB 1 BE CONCURRED IN.**

Motion: **SEN. MIKE TAYLOR** moved **TO AMEND HB 1 WITH HB000102.agp. EXHIBIT(6)**

Discussion:

SEN. EVE FRANKLIN asked where the $100,000 comes from. **SEN. TAYLOR** said it comes from page 4, line 29. He said Yellow Bay has a hard time keeping their research and water treatment quality going under the present funding sources. He said when the University cuts back on funding sources they usually cut back on Yellow Bay. He said it is the only facility that uses scientific information to determine the outcome of water quality. He said he does not want to take money away from the University system, but would like to earmark that $100,000 to be used at Yellow Bay.

SEN. J.D. LYNCH asked how much money was given to Yellow Bay Research last year. **SEN. TAYLOR** said he thought it was $50,000 for two years.

SEN. LYNCH asked why they were doing this now rather than waiting for the regular session. **SEN. TAYLOR** said they are doing a lot of things now in this bill that changes funding and he wants to make sure that this money is earmarked.

CHAIRMAN SWYSGOOD said in one part of this amendment it says the money comes out of the Research and Commercialization expendable trust fund and then on page 8 it show it reducing the amount of money going to the EPSCor grant. He asked how does this relate to the Board of Research and Commercialization. This committee needs to be put into place so that they can see how this money is let out to research institutions. He said if Yellow Bay wants to go in front of the Board and get $100,000 then they are entitled to that rather than appropriating the money to them by the legislature.

Vote: Motion **failed on a voice vote.**

Motion: **SEN. TOM BECK** moved **TO PUT THE CERTIFIED CITIES MONEY BACK INTO THE BILL AND TAKE $425,000 OUT OF THE TSEP MONEY AS ENGINEERING MONEY FOR TSEP GRANTS.**

Discussion:

CHAIRMAN SWYSGOOD said the amendment in the House took the $425,000 that was going to the certified cities and put it into the TSEP program for grants to help get programs started in research for water and sewer projects. This amendment would take that money out of this program and put it into the certified cities program.

REP. OHS said it also takes the engineering money that they need out of the TSEP money.

SEN. LYNCH said there are many proponents of certified communities and it does some good.

SEN. MIGNON WATERMAN asked if they appropriate this engineering money how much will there be left to fund TSEP this biennium. **SEN. BECK** said this will not take effect until the next biennium.

SEN. TOM KEATING asked what does the certified cities program accomplish. **SEN. BECK** said they are used for economic

development. The community has to come up with 50 percent of the funds and the state provides the rest. It is for their own local economic development programs within their communities. **CHAIRMAN SWYSGOOD** said it is based on population. The minimum amount is $5000 and will go up depending on population base.

SEN. TAYLOR said he is against the amendment because they could never find any reason in the jobs and income committee to fund certified communities. He stated they could not find any information where they could generate any income for any of the these projects. They requested information from certified committees showing economic development and there was none. He said if they want to do it for the infrastructure of the cities that is fine, but he does not like this amendment.

Vote: Motion **carried 10-8 on a roll call vote.**

Discussion:

SEN. LINDA NELSON said she would like to offer a conceptual amendment and undo what the house did on the cooperative center. This is more than a one time thing as there is a three year grant now. There needs to be at least three years funding and perhaps five years.

Motion: **SEN. NELSON** moved **TO HAVE THE COOPERATIVE CENTER FUNDED FOR AT LEAST FIVE YEARS.**

Discussion:

SEN. BECK asked if that was for a three year period rather than one year. **SEN. NELSON** said the original language was five years.

Vote: Motion **carried 18-0.**

{Tape : 1; Side : A; Approx. Time Counter : 4:03 p.m.}

Discussion:

SEN. SWYSGOOD said the Board of Regents now gets $6.4 Million for the EPSCor program and the Board of Research and Commercialization will have $1.5 Million to give out as they see fit. **REP. OHS** said the EPSCor money is for this biennium.

Taryn Purdy, Legislative Branch said the EPSCor grants are funded for $6.4 Million for this biennium only. And in the next biennium the Board of Research and Commercialization would get $4.85 Million and none of it is earmarked for EPSCor.

CHAIRMAN SWYSGOOD said this bill also contains a permanent funding source for research and economic development. **REP. OHS** said yes for the next five years.

SEN. KEATING asked what was the final total for this bill. **CHAIRMAN SWYSGOOD** said it is $14.4 Million.

SEN. BECK said this is more than what the Governor asked for. He asked what happened to the $5.6 Million reserve that the University was supposed to have that they could put towards these grant programs.

Motion: **SEN. BECK moved A CONCEPTUAL AMENDMENT TO TAKE $2 MILLION OFF OF THE TOTAL AMOUNT AND LEAVE A TOTAL OF $12.4 MILLION.**

Discussion:

SEN. LYNCH said this money can be well spent in the state for economic development and he is against the amendment.

SEN. DALE MAHLUM said he is against this amendment because this money is going to be used for grants in research and development within the university system and they have already committed themselves to this money.

SEN. TAYLOR said he supports this amendment because the University has a reserve sum of money that can be used for these types of projects.

SEN. ARNIE MOHL said he supports the motion also because they have spent over $500 Million in research since 1990 in the University system and he doesn't feel they have gotten their monies worth out of it.

SEN. FRANKLIN said this $3 Million reserve is not clear that they are referring to and she would like some more information from the University.

CHAIRMAN SWYSGOOD said the reserve that is being talked about is closer to $5.6 Million that is used to cover indirect costs. He said that is the money that they allowed the University system to keep in the 1989 or 1991 session. He said this fund is used to return money back to deans, department heads, money for renovation to help pay for the banner system that is all directly related to research cost. When that bill was passed it was their understanding that they would use that money to get further research monies instead of coming to the legislature and asking them to put in General fund money or other monies for research.

Mr. Crofts said for the current biennium if all the EPSCor matches are calculated that total is $8.6 Million of match. He said if they look at the various commitments they have made in these categories and throw in EPSCor grants that $5.6 Million balance is actually a $9.7 Million deficit and this is a biennial figure. He said what they are doing now is trying to manage and plan ahead to be sure that they have enough money to meet their obligations. Those obligations include hiring new faculty, equipment, matches for other grants, helping with information resources, renovation of facilities needed for research, etc. He said in the 1999 legislature they asked for $10 Million in this area and they got $8.6 Million.

CHAIRMAN SWYSGOOD said he is going to support the amendment because the Board of Research and Commercialization has another $1.5 Million that is above and beyond their current balance. The University system can go before them and monies can be given out as they make their case. He said if this Board is going to be of any use to all of the research that goes on in this state they must be recognized and given the ability to dwell out monies without interference from the legislature. He said if the University will go before the Board and make their case there is $1.5 Million that can be used. This is what this Board was put in place to do and they should do their job.

Motion: **SEN. LYNCH** moved a **SUBSTITUTE MOTION TO PUT IN THE GOVERNORS ORIGINAL AMOUNT OF $13.265 MILLION.**

Discussion:

CHAIRMAN SWYSGOOD said this would reduce it by $1.15 Million

SEN. MOHL asked how much of this money goes directly to the commission and how much to the University. **CHAIRMAN SWYSGOOD** said right now the way the bill stands there is $6.4 Million going to the EPSCOr grants and $1.5 Million to the Board.

SEN. BECK said he wants to stay with the $2 Million because there is $1.5 Million available from the Board.

Vote: Motion **failed 8-10 on a roll call vote for the substitution amendment motion.**

Vote: Motion **carried 10-8 on a roll call vote for the amendment by SEN. BECK.**

Motion/Vote: **SEN. LYNCH** moved that **HB 1 BE CONCURRED IN AS AMENDED. Motion carried 16-2 with Miller and Toews voting no.**

ADJOURNMENT

Adjournment: 4:23 P.M.

SEN. CHUCK SWYSGOOD, Chairman

JODI PAULEY, Secretary

CS/jp

STATE OF MONTANA
SPECIAL SESSION

House Appropriations Committee
May 8, 2000

Members Present:

Rep. Tom Zook, Chairman
Rep. Steve Vick, Vice Chair, Majority
Rep. Joe Quilici, Vice Chair, Minority
Rep. Beverly Barnhart
Rep. Peggy Bergsagel
Rep. Ernest Bergsagel
Rep. Rosie Buzzas
Rep. John Cobb
Rep. Stan Fisher
Rep. Dick Haines
Rep. Royal Johnson
Rep. Betty Lou Kasten
Rep. Matt McCann
Rep. Red Menahan
Rep. Ray Peck
Rep. Lila Taylor
Rep. Joe Tropila
Rep. John Witt

Staff Present: Taryn Purdy, Principal Fiscal Analyst
Mary Lou Schmitz, Secretary

Chairman Zook called the informational meeting to order at 7:00 a.m. They will come back later this morning to ratify the action taken pre-session.

Taryn Purdy, Principal Fiscal Analyst, passed out **EXHIBIT 1**, Summary of HB 1 as amended by House Appropriations

Discussion:

Rep. Buzzas asked if formal action will be taken on HB 1 at this time or later. Chairman Zook said later after the session has started because of a threat of a lawsuit. This bill, as amended, and the feed bill will have to be considered in the same way.

Rep. Barnhart asked for an explanation on the engineering project in the amendment. Rep. Ernie

Bergsagel said his intent was for the communities to receive up to $5 thousand for assistance in developing engineering for water and sewer projects. There is a program similar to that in Natural Resources.

Rep. Fisher referred to the $350 thousand for business recruitment that is to be matched dollar for dollar by the community. He did not see it in the bill. Chairman Zook said it was changed and the Director said that would nullify any applications. Rep. Ernie Bergsagel said he would yield to the will of the committee. Ms. Purdy said if it is the committee's desire, a technical draft could be made later today as it is an oversight.

Rep. Buzzas referred to page 4, sub-section C, line 28 and asked for clarification of the $4.85 million to the Board of Research and Commercialization. Rep. Ernie Bergsagel said his intent was $1.65 million more would go to the Board of Research and Commercialization and that $3 million would be appropriated directly to the Board of Regents for distribution for EPSCoR grants. $150 thousand of the $1.65 million is for the operation of the board and executive director, and the balance is to be used for whatever purpose necessary. Rep. Buzzas said the $3 million breakdown is mentioned later in the bill for the next biennium and asked if this would be for ongoing? Rep. Ernie Bergsagel said Rep. Buzzas is correct. This is the amount of money, almost $5 million, that would go to the Board of Research and Commercialization for the purpose of redistribution wherever that board thought necessary.

Rep. McCann asked Ms. Purdy for clarification concerning the use of statutory appropriations in the bill. Ms. Purdy referred the question to Rep. Bergsagel who said it was important to the governor and to the leadership that there is an ongoing funding source for this particular purpose. He referred to the bill which ends in 2005. It matches the 2005 task force recommendation. The effort was to promote the economy for five years to demonstrate it will work. If it doesn't work, they will come back in 2005 to re-assess and do something different. Chairman Zook said in the original bill that was declared unconstitutional, there was a longer time period.

Rep. Barnhart referred to page 4 and asked where the administration of the Board of Research and Commercialization is mentioned? Ms. Purdy said her understanding of the amendment was the administration funds would be requested in HB 2 so the $4.85 million is that portion of the grant. The $150 thousand would go for administration of the board as an HB 2 issue and would be requested there. Chairman Zook said for these purposes, the $150 thousand is on page 8. It would be funded through HB 2 in normal appropriations in the next session.

Rep. Ernie Bergsagel said the purpose for that was, Sen. Waterman indicated it would be very difficult to justify the $150 thousand to be used for operation of the Board.of Research and Commercialization. The initial request was for $5 million each year. What Rep. Bergsagel did was reduce the $5 million to this amount. Rep. Barnhart asked , if during each legislature, the board will request some money. Rep. Bergsagel said yes.

Taryn Purdy had a clarification point to make. The law, as currently written, does not indicate

that these funds going into that account can be used for administration expenses, so the law would need to be changed to allow that. There was a secondary concern on Sen. Waterman's part which was that there was no control over how much administrative expenses would be made in the first place. This would also put a limit on the administrative expenses as set by the committee as opposed to that set by the board.

Rep. Buzzas asked for clarification on sub-section c. Will any of that money be used for administration? Should that be stated clearer? Ms. Purdy said clarification can certainly be done. What the law does is specify what those funds can be used for.

Chairman Zook referred to page 4 that they are taking money from the interest income of the $140 million and asked where those figures would be pro-rated. Rep. Bergsagel said the interest generated is approximately $40 million and they are statutorily appropriating approximately $8 million. Chairman Zook calculated the figure at $14 million. Clayton Schenk, Director, Fiscal Finance Division said it was based on 7 ½ % and would generate about $14 million. But Greg Petesch, legal counsel, said it would be all right to either pro-rate or use an absolute amount. It would be implied that it would have to be pro-rated if that amount of money was not raised.

Rep. Fisher said he agreed with Rep. Bergsagel on matching funds and would like to see that in the bill with responsibility falling on the people who would be spending the money.

Taryn Purdy apologized for steering them wrong on an issue. Due to timing issues, if it is the intent of the legislature to bring this bill to the floor fairly quickly, a re-drafting of the second reading of the bill would be necessary to take care of her oversight on that earlier amendment to add a dollar for dollar match requirement. The amendment could be taken to the floor.

Discussion: Reps. Barnhart, Peck, Zook, Cobb, Buzzas made observations and raised questions concerning work done on the bill previously.

In answer to a question from Rep. Johnson concerning $65 thousand to the Cooperative Development Center, Ms. Purdy said the way the bill is currently written, there would be a statutory appropriation through the year 2005. The Development Center's request was for a three year grant. Chairman Zook said they were hoping to expand that program. Rep. Johnson said he understood from testimony that they started in January and were funding with university funds but wanted some help to get started so they could get federal grants.

Taryn Purdy explained her handout **EXHIBIT 2.**

Rep. McCann referred to page 4, interest from the Coal Severance Tax and asked why it does not say general fund. It is the same money. Sponsor, Rep. Ohs, was not present to explain.

Rep. Johnson said if an amendment goes on it requires a change in the bill. If that is true, why would they not figure out all the amendments and change it at the same time? Chairman Zook

said he personally feels that is the best way to approach it.

With no further questions or comments Chairman Zook said they would meet in executive session on adjournment.

The meeting adjourned at 7:40 a.m. and reconvened at 10:10 a.m.

EXECUTIVE SESSION - HB 2 and HB 1

Motion/Vote: Rep. Ernie Bergsagel moved Do Pass HB 2. Motion carried 16-2 with Reps. Peggy Bergsagel and Kasten voting no.

Motion: Rep. Ernie Bergsagel moved Do Pass HB 1 as introduced in the original version.

Motion: Rep. Ernie Bergsagel moved the amendments to HB 1 as presented in the yellow copy of the bill.

Discussion: Rep. Menahan asked the sponsor reasons for cutting back. Rep. Ernie Bergsagel said the rationale is he and others did not think they had the amounts of money presented to them the last time they were in session, so he reduced the amount appropriated.

Rep. Cobb asked Rep. Ernie Bergsagel if he is restoring Treasure State Endowment funding to the level of HB 260 and is the Treasure State Endowment an ongoing thing or is it a one-time funding. Rep. Bergsagel said it was his understanding HB 260 had ongoing funding. Chairman Zook said that could change from session to session. It was Rep. Bergsagel's understanding that if the Treasure State Endowment program is to be expanded, they would either have to change the allocation within the trust or would have to appropriate general funds associated with that.

Motion: Rep. Buzzas moved a substitute motion that they reinstate the $6.4 million to the university or research committee that was in the original bill, versus the $3 million.

Discussion: Rep. Buzzas said she and others have looked into it over the past week since they last met and she is convinced if they underfund at $3 million there will be no chance for them to go in for the match which yields about $22 million. The $6.4 million is the minimum amount needed for them to receive the EPSCoR funding.

Rep. Ernie Bergsagel urged the committee to resist the substitute motion. The information they had last week indicated there was approximately $5.6 million they had used and it was his understanding they had used it to match the EPSCoR grants and other projects they had associated with research and development.

Rep. Menahan asked at what point is the university system going to lose money and have to repay the federal monies under this program? Will it take general fund money to refund that money? Rep. Ernie Bergsagel said it was his understanding the $3 million is needed to complete their EPSCoR match. He does not believe they will lose any federal monies or have to pay anything back. If they choose not to re-assess their priorities, they might have to scale back.

Rep. Fisher said the University - Missoula has other funds available to them. Their foundation has $94 million, of which $69 million is tied up in endowments so that leaves $24 million available if they were to apply to the foundation.

Rep. Buzzas said the legislature cannot under the constitution tell the university how to spend its foundation money. What was heard in testimony is the money is committed and students involved in research are part of that re-direct money that funds those projects . They will basically lay off a lot of people who are currently doing research projects because that is where the money has been re-directed. She asked for clarification from a university official. Dr. Dick Croft, Commissioner of Higher Education, referred to the $5.6 million and said an explanation of that sum of money was sent to Rep. Bergsagel and other members of the committee. That money is already appropriated out in dozens, if not hundreds, of accounts where commitments have been made for support of research programs. Their request is to ask the state to invest in this program. They are doing the very best they can to try to keep it going and they think the state wants, needs and deserves a bigger investment from the legislature. The money in the foundation is not money in the university system but money in the foundation that has been given for various specific purposes. They do not have the ability or power to determine how that money is spent, even the money that is not in designated accounts. That is a decision that has to be made by the foundation. The intention of the federal agencies for these EPSCoR programs is that the state should become a viable partner with the research universities and use existing university resources, even foundation resources.

Rep. Quilici asked Dr. Croft if, without this amendment, are there any specific projects that may have to be cut back? Dr. Croft said they had in this biennium $8.6 million of need or matching requirements. They don't believe that money from indirect costs, money from the foundation or money from other sources within the university system would meet those requirements. If they do not convince the federal agencies that they have a legitimate state match they will have to either cut some of those programs or would have to face, at the end of the contractual period, some responsibility to pay it back.

Rep. Fisher said he fully understands the foundation is a separate item but merely suggested this is a source they could apply to and it was not with the idea that the legislature would want to tell the foundation how to do it. The information he portrayed was out of the 1999 foundation report from Missoula.

Rep. Buzzas closed on her motion by saying the governor gave them a clear message that he would like this bill passed in its original form. She hopes they can reinstate the bill in its original language.

Vote: The substitute motion failed 6 -12 with Reps. Zook, Vick, Peggy Bergsagel, Ernie Bergsagel, Cobb, Fisher, Haines, Johnson, Kasten, McCann, Taylor and Witt voting no.

Motion: Rep. Royal Johnson made a conceptual motion for second reading that $65 thousand go to the cooperative center in Havre in the 2001 biennium only.

Discussion: Rep. Johnson asked Dr. Croft if he got any information from Havre on this. Dr. Croft said he did contact Montana State University - Northern and they need the money beginning July 1, 2000 and they have a matching three-year grant.

Rep. McCann asked if the statutory appropriations are going to obligate the legislatures and the people of Montana, up to fiscal 2005 and assumes this economic development proposal gives some indication as to how the money is going to be spent and would that coordinate with the statutory appropriation? Chairman Zook said it is supposed to. The rationale for that is they have assurance these funds will be coming in up until the year 2005.

Vote: The amendments to HB 1 moved by Rep. Bergsagel carried 13-5 with Reps. Barnhart, Buzzas, Menahan, Peck and Tropila voting no.

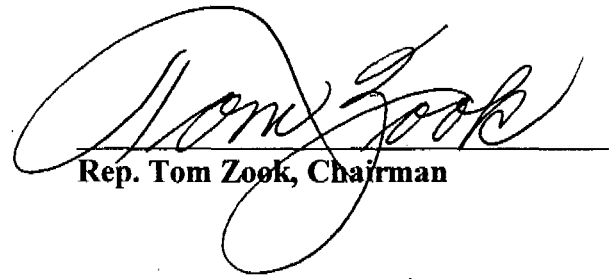
Motion/Vote: Rep. Ernie Bergsagel moved HB 1 Do Pass As Amended Motion failed 9-9.

Motion/Vote: Rep. Ernie Bergsagel moved to reconsider the action. Motion carried 10-8 with Reps. Barnhart, Peggy Bergsagel, Buzzas, Kasten, McCann, Menahan, Peck, Tropila voting no.

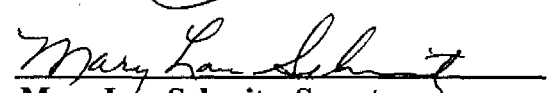
Motion/Vote: Rep. Ernie Bergsagel moved HB 1 Do Pass As Amended. Motion carried 10-8 with Reps. Barnhart, Peggy Bergsagel, Buzzas, Kasten, McCann, Menahan, Peck and Tropila voting no.

Adjournment: 10:50 a.m.

Attached information was given to secretary after the meeting, #1 by Evan Barrett and #2 by Rep. Rick Jore who asked to go on record as opposing HB 1.



Rep. Tom Zook, Chairman



Mary Lou Schmitz, Secretary

TZ/mls

House Appropriation - Roll Call

May 8, 2000

	Present	Excused
Rep. Tom Zook, Chairman	✓	
Rep. Steve Vick, Vice Chairman, Majority	✓	
Rep. Joe Quilici, Vice Chairman, Minority	✓	
Rep. Bev Barnhart	✓	
Rep. Peggy Bergsagel	✓	
Rep. Ernie Bergsagel	✓	
Rep. Rosie Buzzas	✓	
Rep. John Cobb	✓	
Rep. Stan Fisher	✓	
Rep. Dick Haines	✓	
Rep. Royal Johnson	✓	
Rep. Betty Lou Kasten	✓	
Rep. Matt McCann	✓	
Rep. Red Menahan	✓	
Rep. Ray Peck	✓	
Rep. Lila Taylor	✓	
Rep. Joe Tropila	✓	
Rep. John Witt		

HOUSE STANDING COMMITTEE REPORT

Mr. Speaker:

We, your committee on **Appropriations** report that **House Bill 1** (second reading copy -- yellow) **do pass as amended**.

Signed: *Representative Tom Zook, Chair*

And, that such amendments read:

1. Title, line 6.
Following: "APPROPRIATING"
Insert: ", FOR THE FISCAL YEARS BEGINNING JULY 1, 2001, AND ENDING JUNE 30, 2005,"

2. Title, line 7 through line 8.
Following: "GENERAL FUND" on line 7
Strike: remainder of line 7 through "PROGRAM," on line 8

3. Title, line 10.
Strike: "FOREIGN"
Insert: "EXPORT"
Following: "TRADE"
Insert: "ENHANCEMENT"
Following: "SMALL BUSINESS"
Strike: "INNOVATION"
Insert: "INNOVATIVE"

4. Title, line 11.
Following: "RESEARCH"
Strike: "AND"
Insert: "PROGRAM, A SMALL BUSINESS"
Following: "CENTER, AND"
Strike: "THE CERTIFIED COMMUNITIES PROGRAM"
Insert: "COMMUNITY WATER AND SEWER PROJECT ENGINEERING WORK"

5. Title, line 12.

Committee Vote:
Yes 10, No 8.

Following: ";"
Insert: "PROVIDING TEMPORARY APPROPRIATIONS TO THE BOARD OF REGENTS AND THE TREASURE STATE ENDOWMENT PROGRAM AND FOR ADMINISTRATIVE EXPENSES OF THE BOARD OF RESEARCH AND COMMERCIALIZATION TECHNOLOGY; PROVIDING A FUND TRANSFER FOR THE CURRENT BIENNIUM FOR RESEARCH AND COMMERCIALIZATION PROJECTS; CLARIFYING THE ALLOCATIONS FOR THE TREASURE STATE ENDOWMENT PROGRAM PROJECTS AUTHORIZED IN CHAPTER 517, LAWS OF 1999;"

6. Title, line 13
Following: "MCA"
Insert: ", AND SECTIONS 2 AND 5, CHAPTER 517, LAWS OF 1999"
Strike: "AN IMMEDIATE"
Strike: "DATE"
Insert: "DATES, A RETROACTIVE APPLICABILITY DATE, AND TERMINATION DATES"

7. Page 1, line 17 through page 4, line 1.
Strike: everything after the enacting clause
Insert: **"Section 1.** Section 15-35-108, MCA, is amended to read:

"15-35-108. Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Twelve percent of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of 8.36% must be credited to an account in the state special revenue fund to be allocated by the legislature for local impacts, county land planning, provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

(4) The amount of 1.27% must be allocated to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) ~~Beginning July 1, 1997, and ending June 30, 1999, the amount of 0.87% must be allocated to an account in the state special revenue fund for the purpose of protection of works of art in the state capitol and for other cultural and aesthetic projects. Beginning July 1, 1999, the~~ The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund must be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(7) (a) ~~All~~ Subject to subsection (7)(b), all other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state.

(b) The interest income from $140 million of the coal severance tax permanent fund that is deposited in the general fund is statutorily appropriated, as provided in 17-7-502, for the biennium ending June 30, 2001, as follows:

(i) $65,000 to the cooperative development center;

(ii) $1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;

(iii) to the department of commerce:

(A) $350,000 for business recruitment;

(B) $125,000 for a small business development center;

(C) $50,000 for a small business innovative research program;

(D) $425,000 for communities for water and sewer project engineering work;

(E) $200,000 for the Montana manufacturing extension center at Montana state university-Bozeman; and

(F) $300,000 for export trade enhancement; and

(iv) $600,000 to the department of administration for the purpose of reimbursing tax increment financing industrial districts as provided in 7-15-4299. The reimbursement may not be used to pay debt service on tax increment bonds to the extent that the bonds are secured by a guaranty, a letter of credit, or a similar arrangement provided by or on behalf of an owner of property within the district."

Insert: "Section 2. Section 15-35-108, MCA, is amended to read:

"15-35-108. Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be

deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Twelve percent of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of 8.36% must be credited to an account in the state special revenue fund to be allocated by the legislature for local impacts, county land planning, provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

(4) The amount of 1.27% must be allocated to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) ~~Beginning July 1, 1997, and ending June 30, 1999, the amount of 0.87% must be allocated to an account in the state special revenue fund for the purpose of protection of works of art in the state capitol and for other cultural and aesthetic projects. Beginning July 1, 1999, the~~ The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund must be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(7) (a) ~~All~~ Subject to subsections (7)(b) and (7)(c), all other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state.

(b) The interest income from $140 million of the coal severance tax permanent fund that is deposited in the general fund is statutorily appropriated, as provided in 17-7-502, on an annual basis as follows:

(i) $65,000 to the cooperative development center;

(ii) $1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;

(iii) to the department of commerce:

(A) $350,000 for business recruitment;

(B) $125,000 for a small business development center;

(C) $50,000 for a small business innovative research program;

(D) $425,000 for communities for water and sewer project engineering work;

(E) $200,000 for the Montana manufacturing extension center at Montana state university-Bozeman; and

(F) $300,000 for export trade enhancement; and

(iv) $600,000 to the department of administration for the purpose of reimbursing tax increment financing industrial districts as provided in 7-15-4299. The reimbursement may not be used to pay debt service on tax increment bonds to the extent that the bonds are secured by a guaranty, a letter of credit, or a similar arrangement provided by or on behalf of an owner of property within the district.

(c) Beginning July 1, 2001, there is transferred annually from the interest income referred to in subsection (7)(b) $4.85 million to the research and commercialization expendable trust fund created in 90-3-1002."""

Insert: "Section 3. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 3-5-901; 5-13-403; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706; 15-31-702; 15-34-115; 15-35-108; 15-36-324; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-406; 16-1-411; 17-3-106; 17-3-212; 17-3-222; 17-6-101; 17-7-304; 18-11-112; 19-3-319; 19-6-709; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 20-8-107; 20-26-1503; 22-3-1004; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 37-43-204; 37-51-501; 39-71-503; 42-2-105; 44-12-206; 44-13-102; 50-4-623; 53-6-703; 53-24-206; 67-3-205; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 77-1-505; 80-2-222; 80-4-416; 80-11-518; 81-5-111; 82-11-161; 87-1-513; 90-3-1003; and 90-9-306.

(4) There is a statutory appropriation to pay the

principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for supplemental benefit; pursuant to Ch. 422, L. 1997, the inclusion of 15-1-111 terminates on July 1, 2008, which is the date that section is repealed; pursuant to sec. 10, Ch. 360, L. 1999, the inclusion of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is 10 years or less; and pursuant to sec. 4, Ch. 497, L. 1999, the inclusion of 15-38-202 terminates July 1, 2014.)""

Insert: **"Section 4.** Section 2, Chapter 517, Laws of 1999, is amended to read:

"**Section 2. Appropriations from treasure state endowment special revenue account.** (1) There is appropriated to the department of commerce the interest earnings of the treasure state endowment fund and the money ~~allocated by House Bill No. 260 to be deposited in the treasure state endowment special revenue account~~ appropriated in [section 6 of this act] to finance grants authorized by this section.

(2) The funds appropriated in this section must be used by the department to make grants to the local government entities listed in subsection (3) for the described purposes and in amounts not to exceed the amounts set out in subsection (3). The appropriations are subject to the conditions set forth in [sections 3 and 4] and this section and described in the treasure state endowment program January 1999 report to the 56th legislature. The legislature, pursuant to 90-6-710, approves the grants listed in subsection (3), in the order indicated in the list of projects. The department shall award funds up to the amounts approved in this section based on the manner of disbursement set forth in [section 4] until available funds are expended. The department shall provide funds not accepted or used by local governments to other local governments whose projects have been authorized for grants as listed in subsection (3). When additional funds become available for the grants listed in subsection (3), they must be awarded to projects as set forth in [section 4]. It is the intent of the legislature that projects numbered 29 through 32 listed in subsection (3) may not receive grant funds until sufficient funds have been deposited in the

treasure state endowment special revenue account and are available for that purpose.

(3) The following are the authorized projects for grants in the order of their priority:

Applicant/Project Matching Grant

1. Harrison Water and Sewer District, Madison County (wastewater) $500,000
2. Arlee Water and Sewer District, Lake County (wastewater) 500,000
3. Highwood Water and Sewer District, Chouteau County (water) 400,000
4. City of Missoula (wastewater) 500,000
5. City of Thompson Falls (water) 500,000
6. Town of Philipsburg (water) 121,900
7. Town of Ekalaka (wastewater) 87,200
8. Rae Water and Sewer District, Gallatin County (wastewater) 485,850
9. City of Big Timber (wastewater) 500,000
10. City of Glasgow (wastewater, storm drainage) 500,000
11. Corvallis Sewer District, Ravalli County (wastewater) 410,760
12. Town of Boulder (water) 500,000
13. Town of Denton (wastewater) 415,000
14. City of Cut Bank (water) 500,000
15. Richland County (bridge) 181,155
16. Town of Geraldine (wastewater) 300,000
17. Augusta Water and Sewer District, Lewis and Clark County (wastewater) 500,000
18. City of Havre (water) 303,747
19. Sweet Grass Water and Sewer District, Toole County (wastewater) 213,000
20. Lewis and Clark County (bridge) 500,000
21. Town of Drummond (wastewater) 292,850
22. South Hills Water and Sewer District, Yellowstone County (water) 500,000
23. City of Helena (water) 500,000
24. City of Red Lodge (wastewater) 500,000
25. Town of Chester (water) 220,150
26. Willow Creek Sewer District, Gallatin County (wastewater) 500,000
27. City of Columbia Falls (wastewater) 500,000
28. Lacasa Grande Water and Sewer District, Lewis and Clark County (water) 500,000
29. Elk Meadows Water and Sewer District, Missoula County (water) 210,000
30. City of Harlem (water) 179,311
31. Midvale Water and Sewer District, Lincoln County (water) 374,720

32. City of Shelby (water) 400,000

(4) If sufficient funds are available, this section constitutes a valid obligation of funds to the entities listed in subsection (3) for purposes of encumbering the treasure state endowment special revenue account funds received during the 2001 biennium under 17-7-302 and the funds appropriated in [section 6 of this act]. However, a local government's entitlement to receive funds is dependent on the local government's compliance with the conditions described in [section 4] and on the availability of funds.

(5) If funds deposited in the treasure state endowment special revenue account and appropriated in [section 6 of this act] during the biennium ending June 30, 2001, are insufficient to fully fund the projects numbered 1 through 28 in subsection (3) that have satisfied the conditions described in [section 4], these projects will be fully funded from deposits in the treasure state endowment special revenue account made during the biennium ending June 30, 2003, before projects authorized by the 57th legislature in 2001 receive funding from the account."

Insert: **"Section 5.** Section 5, Chapter 517, Laws of 1999, is amended to read:

"**Section 5. Contingent voidness.** If House Bill No. 260 is enacted, [section 1] of [this act] is void and references to that section must be stricken. ~~If House Bill No. 260 is not enacted or is invalidated by a final judicial decision, [section 2] of [this act] is void and references to that section must be stricken.~~"

Insert: "NEW SECTION. **Section 6. Appropriation -- fund transfer.** (1) There is appropriated from the general fund for the biennium ending June 30, 2001:

(a) $3 million to the board of regents to be used for matching funds for EPSCor grants;

(b) $3 million to the treasure state endowment program provided for in Title 90, chapter 6, part 7; and

(c) $150,000 to the board of research and commercialization technology for administrative expenses.

(2) There is transferred $1.5 million from the general fund to the research and commercialization expendable trust fund created in 90-3-1002."

Insert: "NEW SECTION. **Section 7. Effective dates.** (1) Except as provided in subsection (2), [this act] is effective on passage and approval.

(2) [Section 2] is effective July 1, 2001."

Insert: "NEW SECTION. **Section 8. Retroactive applicability.** [Section 5] applies retroactively, within the meaning of 1-2-109,

to July 1, 1999."

Insert: "NEW SECTION. **Section 9. Termination.** (1) [Section 1] terminates June 30, 2001.

(2) [Sections 2 and 3] terminate June 30, 2005."

- END -

HOUSE STANDING COMMITTEE REPORT

Mr. Speaker:

We, your committee on **Appropriations** report that **House Bill 2** (second reading copy -- yellow) **do pass.**

Signed: _____
Representative Tom Zook, Chair

- END -

Committee Vote:
Yes 16, No 2.

011105SC.hgp

Exhibit 1
5-8-00

Summary of HB 1 as Amended by House Appropriations

2001 Biennium

1) The following statutory appropriations *for the biennium* were made:
   a) $65,000 to the cooperative development center;
   b) $600,000 for tax increment financing districts. This appropriation includes the language: "Such appropriation shall not be used to pay debt service on tax increment bonds to the extent such bonds are secured by a guaranty, letter of credit or similar arrangement provided by or on behalf of an owner of property within the district.";
   c) $1.25 million for growth through agriculture;
   d) to the Department of Commerce:
      i) $350,000 for business recruitment;
      ii) $300,000 for export trade enhancement;
      iii) $125,000 for a small business development center;
      iv) $50,000 for a small business innovative research program;
      v) $425,000 for communities for water and sewer project engineering work;
   e) $200,000 for the manufacturing extension center through the Department of Commerce.

2) There are 3 temporary biennial appropriations/transfers in the 2001 biennium directly from the general fund:
   a) $3.0 million to the Board of Regents to match EPSCoR grants in the units;
   b) $3.0 million for the Treasure State Endowment Program (TSEP)
   c) $1.65 million for research and commercialization. Included in this figure is $150,000 for administration of the board.

2003 Biennium through the 2005 Biennium

Beginning July 1, 2001 and ending June 30, 2005, the following *yearly* statutory appropriations or transfers are included:
1) $4.85 million to the research and commercialization account (this figure does not include any administration, which will have to be requested in HB 2); and
2) (1)(a) through (1)(e) above

The entire bill would be effective on passage and approval.

DRAFT
Exhibit 2
5-8-00

Economic Development Proposals

Comparison of Governor's Proposal and HB 1 of 2000 Special Session

ACTIVITY	GOVERNOR'S PROPOSAL	HB 1 as amended By House Appropriations		Comment regarding HB 1 Amendment
	2001 Biennium	2001 Biennium	2003 Biennium	
Growth through Agriculture				
- Growth Through Agriculture Grants & Loans	$896,000	$896,000	$1,792,000	
- Marketing & Business Assistance (Agriculture)	354,000	354,000	708,000	
- Business Recruitment	350,000	350,000	700,000	
- Certified Communities	425,000	425,000	850,000	-HB1 specifies fund for water/sewer engineering work
- Foreign/Canadian Trade	300,000	300,000	600,000	-Titled "Export Trade Enhancements" under HB1
- Small Business Development Centers	125,000	125,000	250,000	
- Small Business Innovative Research	50,000	50,000	100,000	
Industrial Infrastructure Reimbursement	600,000	600,000	1,200,000	
Cooperative Development Center	65,000	65,000	130,000	
Board of Research and Commercialization (BRC)				
- To Board (BRC) for Grants and Loans	6,400,000	1,500,000	9,700,000	
- To Board (BRC) for Administration Costs		150,000	0	-Dept of Commerce must request admin costs for 2003B
- To Board of Regents for Grants and Loans		3,000,000	0	
- Montana Manufacturing Extension Service	200,000	200,000	400,000	-HB1 appropriates to Dept of Commerce
Treasure State Endowment Program	3,500,000	3,000,000	0	
TOTALS	$13,265,000	$11,015,000	$16,430,000	

House Appropriation - Roll Call Vote

May 8, 2000

Rep. E. Bergsagel moved Do Pass HB 2

	Yes	No
Rep. Tom Zook, Chairman	✓	
Rep. Steve Vick, Vice Chairman, Majority	✓	
Rep. Joe Quilici, Vice Chairman, Minority	✓	
Rep. Bev Barnhart		✓
Rep. Peggy Bergsagel	✓	
Rep. Ernie Bergsagel	✓	
Rep. Rosie Buzzas	✓	
Rep. John Cobb	✓	
Rep. Stan Fisher	✓	
Rep. Dick Haines	✓	
Rep. Royal Johnson		✓
Rep. Betty Lou Kasten		
Rep. Matt McCann	✓	
Rep. Red Menahan	✓	
Rep. Ray Peck	✓	
Rep. Lila Taylor	✓	
Rep. Joe Tropila	✓	
Rep. John Witt	✓	
	16	2

Motion Carried

House Appropriation - Roll Call Vote

May 8, 2000

~ B1

Rep. Buzzas made a substitute motion to reinstate $6.4 million to the university

	Yes	No
Rep. Tom Zook, Chairman		✓
Rep. Steve Vick, Vice Chairman, Majority		✓
Rep. Joe Quilici, Vice Chairman, Minority	✓	
Rep. Bev Barnhart	✓	
Rep. Peggy Bergsagel		✓
Rep. Ernie Bergsagel		✓
Rep. Rosie Buzzas	✓	
Rep. John Cobb		✓
Rep. Stan Fisher		✓
Rep. Dick Haines		✓
Rep. Royal Johnson		✓
Rep. Betty Lou Kasten		✓
Rep. Matt McCann		✓
Rep. Red Menahan	✓	
Rep. Ray Peck	✓	
Rep. Lila Taylor		✓
Rep. Joe Tropila	✓	
Rep. John Witt		✓
	6	12

Substitute Motion failed 6 - 12

House Appropriation - Roll Call Vote

May 8, 2000

Rep. Ernie Bergsagel moved amendments as presented in the yellow copy of the bill. HB 1

	Yes	No
Rep. Tom Zook, Chairman	✓	
Rep. Steve Vick, Vice Chairman, Majority	✓	
Rep. Joe Quilici, Vice Chairman, Minority	✓	
Rep. Bev Barnhart		✓
Rep. Peggy Bergsagel	✓	
Rep. Ernie Bergsagel	✓	
Rep. Rosie Buzzas		✓
Rep. John Cobb	✓	
Rep. Stan Fisher	✓	
Rep. Dick Haines	✓	
Rep. Royal Johnson	✓	
Rep. Betty Lou Kasten	✓	
Rep. Matt McCann	✓	
Rep. Red Menahan		✓
Rep. Ray Peck		✓
Rep. Lila Taylor	✓	
Rep. Joe Tropila		✓
Rep. John Witt	✓	
	13	5

Motion carried 13-5

House Appropriation - Roll Call Vote

May 8, 2000

Rep. Ernie Bergsagel moved DPAA NB1

	Yes	No
Rep. Tom Zook, Chairman	✓	
Rep. Steve Vick, Vice Chairman, Majority		✓
Rep. Joe Quilici, Vice Chairman, Minority	✓	
Rep. Bev Barnhart		✓
Rep. Peggy Bergsagel		✓
Rep. Ernie Bergsagel	✓	
Rep. Rosie Buzzas		✓
Rep. John Cobb	✓	
Rep. Stan Fisher	✓	
Rep. Dick Haines	✓	
Rep. Royal Johnson	✓	
Rep. Betty Lou Kasten		✓
Rep. Matt McCann		✓
Rep. Red Menahan		✓
Rep. Ray Peck		✓
Rep. Lila Taylor	✓	
Rep. Joe Tropila		✓
Rep. John Witt	✓	
	9	9

Motion failed on a tie vote

House Appropriation - Roll Call Vote

HB1

Rep. Ernie moved to reconsider this action

May 8, 2000

	Yes	No
Rep. Tom Zook, Chairman	✓	
Rep. Steve Vick, Vice Chairman, Majority	✓	
Rep. Joe Quilici, Vice Chairman, Minority	✓	
Rep. Bev Barnhart		✓
Rep. Peggy Bergsagel		✓
Rep. Ernie Bergsagel	✓	
Rep. Rosie Buzzas		✓
Rep. John Cobb	✓	
Rep. Stan Fisher	✓	
Rep. Dick Haines	✓	
Rep. Royal Johnson	✓	
Rep. Betty Lou Kasten		✓
Rep. Matt McCann		✓
Rep. Red Menahan		✓
Rep. Ray Peck		✓
Rep. Lila Taylor	✓	
Rep. Joe Tropila		✓
Rep. John Witt	✓	
	10	8

Motion Carried 10-8

House Appropriation - Roll Call Vote

May 8, 2000

Rep. Ernie Bergsagel moved NB1, Do Pass as Amended

	Yes	No
Rep. Tom Zook, Chairman	✓	
Rep. Steve Vick, Vice Chairman, Majority	✓	
Rep. Joe Quilici, Vice Chairman, Minority	✓	
Rep. Bev Barnhart		✓
Rep. Peggy Bergsagel		✓
Rep. Ernie Bergsagel	✓	
Rep. Rosie Buzzas		✓
Rep. John Cobb	✓	
Rep. Stan Fisher	✓	
Rep. Dick Haines	✓	
Rep. Royal Johnson	✓	
Rep. Betty Lou Kasten		✓
Rep. Matt McCann		✓
Rep. Red Menahan		✓
Rep. Ray Peck		✓
Rep. Lila Taylor	✓	
Rep. Joe Tropila		✓
Rep. John Witt	✓	
	10	8

Motion carried 10 - 8

APPROVED BY COMM ON APPROPRIATIONS

HOUSE BILL NO. 1

INTRODUCED BY K. OHS

A BILL FOR AN ACT ENTITLED: "AN ACT IMPLEMENTING THE PROGRAMS THAT WERE NOT FUNDED BECAUSE OF THE INVALIDITY OF THE COAL PRODUCER'S LICENSE TAX BY STATUTORILY APPROPRIATING, FOR THE FISCAL YEARS BEGINNING JULY 1, 2001, AND ENDING JUNE 30, 2005, THE INTEREST INCOME FROM $140 MILLION OF THE COAL SEVERANCE TAX PERMANENT FUND THAT IS DEPOSITED IN THE GENERAL FUND ~~FOR THE TREASURE STATE ENDOWMENT PROGRAM,~~ FOR THE COOPERATIVE DEVELOPMENT CENTER, FOR REIMBURSING TAX INCREMENT FINANCING INDUSTRIAL DISTRICTS, FOR THE GROWTH THROUGH AGRICULTURE PROGRAM, FOR BUSINESS RECRUITMENT, ~~FOREIGN~~ EXPORT TRADE ENHANCEMENT, A SMALL BUSINESS ~~INNOVATION~~ INNOVATIVE RESEARCH ~~AND~~ PROGRAM, A SMALL BUSINESS DEVELOPMENT CENTER, AND ~~THE CERTIFIED COMMUNITIES PROGRAM~~ COMMUNITY WATER AND SEWER PROJECT ENGINEERING WORK, AND FOR RESEARCH AND COMMERCIALIZATION PROJECTS; PROVIDING TEMPORARY APPROPRIATIONS TO THE BOARD OF REGENTS AND THE TREASURE STATE ENDOWMENT PROGRAM AND FOR ADMINISTRATIVE EXPENSES OF THE BOARD OF RESEARCH AND COMMERCIALIZATION TECHNOLOGY; PROVIDING A FUND TRANSFER FOR THE CURRENT BIENNIUM FOR RESEARCH AND COMMERCIALIZATION PROJECTS; CLARIFYING THE ALLOCATIONS FOR THE TREASURE STATE ENDOWMENT PROGRAM PROJECTS AUTHORIZED IN CHAPTER 517, LAWS OF 1999; AMENDING SECTIONS 15-35-108 AND 17-7-502, MCA, AND SECTIONS 2 AND 5, CHAPTER 517, LAWS OF 1999; AND PROVIDING ~~AN IMMEDIATE~~ EFFECTIVE ~~DATE~~ DATES, A RETROACTIVE APPLICABILITY DATE, AND TERMINATION DATES."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

(Refer to Introduced Bill)

Strike everything after the enacting clause and insert:

Section 1. Section 15-35-108, MCA, is amended to read:

"**15-35-108. Disposal of severance taxes.** Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by

SECOND READING as amended

Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Twelve percent of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of 8.36% must be credited to an account in the state special revenue fund to be allocated by the legislature for local impacts, county land planning, provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

(4) The amount of 1.27% must be allocated to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) ~~Beginning July 1, 1997, and ending June 30, 1999, the amount of 0.87% must be allocated to an account in the state special revenue fund for the purpose of protection of works of art in the state capitol and for other cultural and aesthetic projects. Beginning July 1, 1999, the~~ The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund must be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(7) (a) ~~All~~ Subject to subsection (7)(b), all other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state.

(b) The interest income from $140 million of the coal severance tax permanent fund that is deposited in the general fund is statutorily appropriated, as provided in 17-7-502, for the biennium ending June 30, 2001, as follows:

(i) $65,000 to the cooperative development center;

(ii) $1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;

(iii) to the department of commerce:

(A) $350,000 for business recruitment;

(B) $125,000 for a small business development center;

(C) $50,000 for a small business innovative research program;

(D) $425,000 for communities for water and sewer project engineering work;

(E) $200,000 for the Montana manufacturing extension center at Montana state university-Bozeman; and

(F) $300,000 for export trade enhancement; and

(iv) $600,000 to the department of administration for the purpose of reimbursing tax increment financing industrial districts as provided in 7-15-4299. The reimbursement may not be used to pay debt service on tax increment bonds to the extent that the bonds are secured by a guaranty, a letter of credit, or a similar arrangement provided by or on behalf of an owner of property within the district."

Section 2. Section 15-35-108, MCA, is amended to read:

"**15-35-108. Disposal of severance taxes.** Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Twelve percent of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of 8.36% must be credited to an account in the state special revenue fund to be allocated by the legislature for local impacts, county land planning, provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

(4) The amount of 1.27% must be allocated to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) ~~Beginning July 1, 1997, and ending June 30, 1999, the amount of 0.87% must be allocated to an account in the state special revenue fund for the purpose of protection of works of art in the state capitol and for other cultural and aesthetic projects. Beginning July 1, 1999, the~~ The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund must be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(7) (a) ~~All~~ Subject to subsections (7)(b) and (7)(c), all other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state.

(b) The interest income from $140 million of the coal severance tax permanent fund that is deposited in the general fund is statutorily appropriated, as provided in 17-7-502, on an annual basis as follows:

(i) $65,000 to the cooperative development center;

(ii) $1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;

(iii) to the department of commerce:

(A) $350,000 for business recruitment;

(B) $125,000 for a small business development center;

(C) $50,000 for a small business innovative research program;

(D) $425,000 for communities for water and sewer project engineering work;

(E) $200,000 for the Montana manufacturing extension center at Montana state university-Bozeman; and

(F) $300,000 for export trade enhancement; and

(iv) $600,000 to the department of administration for the purpose of reimbursing tax increment financing industrial districts as provided in 7-15-4299. The reimbursement may not be used to pay debt service on tax increment bonds to the extent that the bonds are secured by a guaranty, a letter of credit, or a similar arrangement provided by or on behalf of an owner of property within the district.

(c) Beginning July 1, 2001, there is transferred annually from the interest income referred to in subsection (7)(b) $4.85 million to the research and commercialization expendable trust fund created in 90-3-1002."

Section 3. Section 17-7-502, MCA, is amended to read:

"**17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 3-5-901; 5-13-403; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706; 15-31-702; 15-34-115; 15-35-108; 15-36-324; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-406; 16-1-411; 17-3-106; 17-3-212; 17-3-222; 17-6-101; 17-7-304; 18-11-112; 19-3-319; 19-6-709; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 20-8-107; 20-26-1503; 22-3-1004; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 37-43-204; 37-51-501; 39-71-503; 42-2-105; 44-12-206; 44-13-102; 50-4-623; 53-6-703; 53-24-206; 67-3-205; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 77-1-505; 80-2-222; 80-4-416; 80-11-518; 81-5-111; 82-11-161; 87-1-513; 90-3-1003; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for supplemental benefit; pursuant to Ch. 422, L. 1997, the inclusion of 15-1-111 terminates on July 1, 2008, which is the date that section is repealed; pursuant to sec. 10, Ch. 360, L. 1999, the inclusion of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is 10 years or less; and pursuant to sec. 4, Ch. 497, L. 1999, the inclusion of 15-38-202 terminates July

1, 2014.}"

Section 4. Section 2, Chapter 517, Laws of 1999, is amended to read:

"**Section 2. Appropriations from treasure state endowment special revenue account.** (1) There is appropriated to the department of commerce the interest earnings of the treasure state endowment fund and the money ~~allocated by House Bill No. 260 to be deposited in the treasure state endowment special revenue account~~ appropriated in [section 6 of this act] to finance grants authorized by this section.

(2) The funds appropriated in this section must be used by the department to make grants to the local government entities listed in subsection (3) for the described purposes and in amounts not to exceed the amounts set out in subsection (3). The appropriations are subject to the conditions set forth in [sections 3 and 4] and this section and described in the treasure state endowment program January 1999 report to the 56th legislature. The legislature, pursuant to 90-6-710, approves the grants listed in subsection (3), in the order indicated in the list of projects. The department shall award funds up to the amounts approved in this section based on the manner of disbursement set forth in [section 4] until available funds are expended. The department shall provide funds not accepted or used by local governments to other local governments whose projects have been authorized for grants as listed in subsection (3). When additional funds become available for the grants listed in subsection (3), they must be awarded to projects as set forth in [section 4]. It is the intent of the legislature that projects numbered 29 through 32 listed in subsection (3) may not receive grant funds until sufficient funds have been deposited in the treasure state endowment special revenue account and are available for that purpose.

(3) The following are the authorized projects for grants in the order of their priority:

	Applicant/Project	Matching Grant
1.	Harrison Water and Sewer District, Madison County (wastewater)	$500,000
2.	Arlee Water and Sewer District, Lake County (wastewater)	500,000
3.	Highwood Water and Sewer District, Chouteau County (water)	400,000
4.	City of Missoula (wastewater)	500,000
5.	City of Thompson Falls (water)	500,000
6.	Town of Philipsburg (water)	121,900
7.	Town of Ekalaka (wastewater)	87,200
8.	Rae Water and Sewer District, Gallatin County (wastewater)	485,850

9.	City of Big Timber (wastewater)	500,000
10.	City of Glasgow (wastewater, storm drainage)	500,000
11.	Corvallis Sewer District, Ravalli County (wastewater)	410,760
12.	Town of Boulder (water)	500,000
13.	Town of Denton (wastewater)	415,000
14.	City of Cut Bank (water)	500,000
15.	Richland County (bridge)	181,155
16.	Town of Geraldine (wastewater)	300,000
17.	Augusta Water and Sewer District, Lewis and Clark County (wastewater)	500,000
18.	City of Havre (water)	303,747
19.	Sweet Grass Water and Sewer District, Toole County (wastewater)	213,000
20.	Lewis and Clark County (bridge)	500,000
21.	Town of Drummond (wastewater)	292,850
22.	South Hills Water and Sewer District, Yellowstone County (water)	500,000
23.	City of Helena (water)	500,000
24.	City of Red Lodge (wastewater)	500,000
25.	Town of Chester (water)	220,150
26.	Willow Creek Sewer District, Gallatin County (wastewater)	500,000
27.	City of Columbia Falls (wastewater)	500,000
28.	Lacasa Grande Water and Sewer District, Lewis and Clark County (water)	500,000
29.	Elk Meadows Water and Sewer District, Missoula County (water)	210,000
30.	City of Harlem (water)	179,311
31.	Midvale Water and Sewer District, Lincoln County (water)	374,720
32.	City of Shelby (water)	400,000

(4) If sufficient funds are available, this section constitutes a valid obligation of funds to the entities listed in subsection (3) for purposes of encumbering the treasure state endowment special revenue account funds received during the 2001 biennium under 17-7-302 and the funds appropriated in [section 6 of this act]. However, a local government's entitlement to receive funds is dependent on the local government's compliance with the conditions described in [section 4] and on the availability of funds.

(5) If funds deposited in the treasure state endowment special revenue account and appropriated

in [section 6 of this act] during the biennium ending June 30, 2001, are insufficient to fully fund the projects numbered 1 through 28 in subsection (3) that have satisfied the conditions described in [section 4], these projects will be fully funded from deposits in the treasure state endowment special revenue account made during the biennium ending June 30, 2003, before projects authorized by the 57th legislature in 2001 receive funding from the account."

Section 5. Section 5, Chapter 517, Laws of 1999, is amended to read:

"**Section 5. Contingent voidness.** If House Bill No. 260 is enacted, [section 1] of [this act] is void and references to that section must be stricken. ~~If House Bill No. 260 is not enacted or is invalidated by a final judicial decision, [section 2] of [this act] is void and references to that section must be stricken.~~"

NEW SECTION. **Section 6. Appropriation -- fund transfer.** (1) There is appropriated from the general fund for the biennium ending June 30, 2001:

(a) $3 million to the board of regents to be used for matching funds for EPSCor grants;

(b) $3 million to the treasure state endowment program provided for in Title 90, chapter 6, part 7; and

(c) $150,000 to the board of research and commercialization technology for administrative expenses.

(2) There is transferred $1.5 million from the general fund to the research and commercialization expendable trust fund created in 90-3-1002.

NEW SECTION. **Section 7. Effective dates.** (1) Except as provided in subsection (2), [this act] is effective on passage and approval.

(2) [Section 2] is effective July 1, 2001.

NEW SECTION. **Section 8. Retroactive applicability.** [Section 5] applies retroactively, within the meaning of 1-2-109, to July 1, 1999.

NEW SECTION. **Section 9. Termination.** (1) [Section 1] terminates June 30, 2001.

(2) [Sections 2 and 3] terminate June 30, 2005.

- END -

Testimony given to Secretary after Greeting by Evan Barrett

Coalition for Montana's Economic Future

#1

Charter Board

Economic Development

Jim Davison, Anaconda
MT. Economic Developers Assoc. (MEDA)
Montana Ambassadors - ALDC
Penny Copps, Seeley Lake
Montana Ambassadors - MEDA
Greg Cunniff, Great Falls
Montana Ambassadors
Jim Smitham, Butte
MEDA – Ambassadors - MPC
Linda Reed, Helena
MEDA – Ambassadors – US WEST
Evan Barrett, Butte
MEDA – Ambassadors - BLDC
Dick King, Havre
MEDA – Bearpaw Development
Paul Tuss, Cut Bank
MEDA – Glacier Action & Involvement
Webb Brown, Helena
MT. Chamber - MEDA - Ambassadors
Gene Vuckovich, Anaconda
MT. Rural Development Partners
MEDA - Ambassadors
Rody Holman, Butte
BSB Tax Increment District - MEDA

Agriculture

Chuck Merja, Sun River
Chairman, Vision 2005 Task Force
Randy Johnson, Great Falls
Montana Graingrowers Association
Jim Peterson, Helena
Montana Stockgrowers Association
Jake Cummins, Bozeman
Montana Farm Bureau Federation
Art Leondorf, Wolf Point
Montana Farmers Union,
Harold Clark, Columbia Falls
Montana Mint Association
John Youngberg, Bozeman
Montana Farm Bureau Federation
Sharon Kindle, Malta
Women Involved in Farm Economics (WIFE)
Vision 2005 Task Force

Research & Commercialization

Dave Crum, Great Falls
McLaughlin Institute
Jim Duncan, Billings
Deaconness Institute
Jim Kambich, Butte
MT. Econ. Revit. & Dev. Institute
Cathy Conover, Bozeman
Montana State University
Jim Foley, Missoula
University of Montana
Frank Gilmore, Butte
Montana Tech
Joyce Scott, Helena
Montana University System
Joe Figueira, Butte
Montana Tech
Richard Crofts, Helena
Montana University System
Tom McCoy, Bozeman
Montana State University

Water Projects

Dan Keil, Conrad
North Central MT. Water Project
Rick Knick, Culbertson
Northeast MT. Water Project

May 8, 2000

Members of the House Appropriations Committee:

The Coalition for Montana's Economic Future was formed by all those entities that were involved in the funding placed in HB 260 for the Jobs & Income package. Whether it be Vision 2005 Agricultural Development, Research & Commercialization, the water projects or the actual Jobs & Income proposals for economic development, we feel the state was left "high and dry" as a result of the Montana Supreme Court finding the funding source to be unconstitutional.

The Coalition believes that the State needs to find a long term reliable source of funding for those lost programs in order to conduct the long term work to reverse the negative economic circumstances Montana finds itself in. We did not get into these circumstances overnight, and we will not get out overnight, either.

The Coalition found that HB 1, as introduced by Rep. Ohs, included the proper funding allocations to cover the previous HB 260 needs and we also believe that the statutory appropriations in HB 1, as introduced without a "sunset" date, was the best way to approach the long term effort.

We urge you to restore HB 1 to its original form, particularly by:

- **Restoring state matching funds for local economic development efforts (the Certified Communities program),**
- **Restoring Treasure State Endowment funding to the level of HB 260,**
- **Restoring Research & Commercialization Funding to the level of HB 260, and**
- **Providing for a statutory appropriation without a "sunset" date.**

(By restoring the Treasure State Endowment to its HB 260 level, there should be more than enough funding in the program itself to allow for an allocation to cover the pre-engineering funds for TSE projects desired by many of you.)

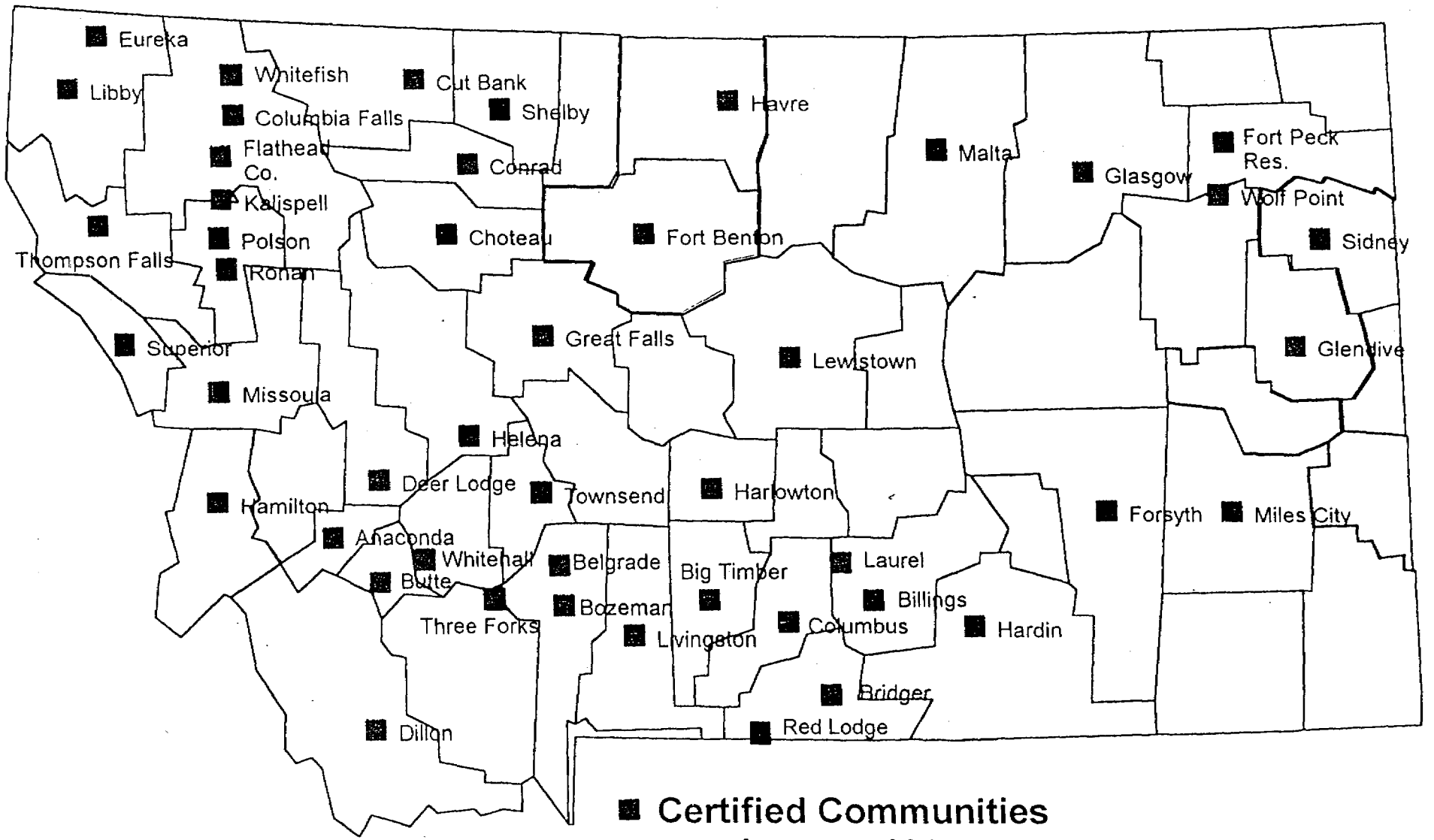
Please fix HB 1 before you send it to the floor.

Sincerely,

THE COALITION FOR MONTANA'S ECONOMIC FUTURE

Box 507 • Butte, MT 59701 Ph. 406-723-4349 • Fx. 406-723-4672

MONTANA CERTIFIED COMMUNITIES



certcty.pre

CERTIFIED COMMUNITIES

Per Capita Distribution Analysis

Actual figures will change - based upon 1998 population estimates

Certified Community	1998 Population est.	50 cents per cap - 5k min, 25k max
Anaconda/Deer Lodge	9,999	$ 5,000
Belgrade	5,018	$ 5,000
Big Timber/Sweet Grass	3,391	$ 5,000
Billings	91,750	$ 25,000
Bozeman	29,936	$ 14,968
Bridger	824	$ 5,000
Butte/Silver Bow	33,994	$ 16,997
Choteau	1,802	$ 5,000
Columbia Falls	4,205	$ 5,000
Columbus	2,072	$ 5,000
Conrad	2,903	$ 5,000
Cut Bank	3,456	$ 5,000
Deer Lodge/Powell County	7,004	$ 5,000
Dillon/Beaverhead	8,809	$ 5,000
Eureka	1,092	$ 5,000
Forsyth	2,048	$ 5,000
Fort Benton	1,613	$ 5,000
Fort Peck Reservation*	7,715	$ 5,000
Glasgow/Valley County	8,233	$ 5,000
Glendive	4,421	$ 5,000
Great Falls	56,395	$ 25,000
Hamilton/Ravalli	35,114	$ 17,557
Hardin	3,316	$ 5,000
Harlowton/Wheatland	2,345	$ 5,000
Havre	10,015	$ 5,008
Helena	28,306	$ 14,153
Kalispell	16,089	$ 8,045
Lake County	25,557	$ 12,779
Laurel	6,027	$ 5,000
Lewistown/Fergus County	12,276	$ 6,138
Libby	2,675	$ 5,000
Livingston	7,348	$ 5,000
Malta/Phillips	4,797	$ 5,000
Miles City	8,685	$ 5,000
Missoula/Missoula County	88,907	$ 25,000
Polson	4,593	$ 2,297
Red Lodge	2,238	$ 5,000
Shelby	2,609	$ 5,000
Sidney/Richland County	10,161	$ 5,081
Superior/Mineral County	3,781	$ 5,000
Thompson Falls/Sanders County	10,185	$ 5,093
Three Forks	1,528	$ 5,000
Townsend/Broadwater	4,131	$ 5,000
Whitefish	5,875	$ 5,000
Whitehall	1,399	$ 5,000
Wolf Point	2,854	$ 5,000
TOTAL	**587,491**	**$ 343,113**
Administration - 9% by statute		**$ 38,250**
Funding for Additional Certified Communities		**$ 43,638**
		$ 425,000

* From 1990 census - excludes Wolf Point which is a Certified Community

The Paradox Of The Statist Businessman

By Theodore J. Forstmann

Possibly because I was never properly trained at a business school, I have always found entrepreneurial capitalism appealing, easy to understand, and as natural as walking or breathing. It is an economic model that focuses on growth and allows the individual the opportunity to employ his God-given talents. Success can be pursued and failure tolerated – in short, that is the way the world should work.

So when I was asked to talk about the statist businessman, two things immediately struck me. The first was the theoretical contradiction in terms as, of course, most ordinary citizens would equate the word businessman with capitalist, not statist. The second was that it would be difficult to find anything too nice to say about that particular breed. But since I don't want to end up sounding like one of the retirees in southern Florida who went to a restaurant one night and complained so much that the waiter finally asked, "Is *anything* all right?," I want to preface my remarks with something that *is* right. It's a quote by Domingo Cavallo, finance minister of Argentina. "Each peso," he stated – and you could substitute "dollar" or any other currency – "is a contract between the government and the peso holder. That contract guarantees that each peso – as a unit of value that the holder has worked hard to get – will be worth as much tomorrow as today. If the government breaks the contract, it's breaking the law. The only role of government in the economy should be to guarantee the integrity of market transactions."

That's a simple statement, but somewhat revolutionary – revolutionary because its premise of a passive, limited government is radically different from the activist role government assumes today.

But these are revolutionary times, and the real revolution is one that reaches beyond politics and partisanship to challenge some very basic assumptions about the way the world works. Our new Speaker of the House, Newt Gingrich, has warned that "American businesses can't win in the marketplace for products and services if they concede defeat in the war of ideas." The battle lines of that war are not drawn so much between Republican and Democrat, or even conservative and liberal, as they are between two diametrically different world views.

The statist businessman is a conservative in the most literal sense of the word. He is a caretaker, not a risk taker.

The Statist Worldview

One view begins and ends with government. It is of a statist society in which the government regulates and mediates most human relationships – economic and otherwise. The other view begins and ends with the individual. It is of a civil society in which people organize themselves through voluntary association and exchange. Statist society promises you happiness in exchange for the better part of your freedom. Civil society merely guarantees your freedom. Happiness is up to you.

Perhaps we can understand the statist impulse on behalf of the unskilled and unschooled, the disabled and the disenfranchised, the infantile and the infirm. But why would the businessman choose to bargain with his most precious capital – freedom?

It would be easy to dismiss the statist businessman as either a knave or a fool. The sad truth is that he's neither. Remember what Voltaire once said: "It is dangerous to be right when the government is wrong." The statist businessman is simply doing his job. He's probably just part of a big corporation. He didn't make the rules; he just follows them. He doesn't ask why the government holds all the cards; he simply accepts the hand he's dealt. To play it safe, the bureaucratic businessman plays along.

But by joining rather than fighting the forces of an activist big government, he becomes part of the problem. Indeed, he becomes a significant part of the problem to which he contributes in three ways. Number one, he is a conservator – not a creator. Number two, he is a lobbyist. And number three, he is used as an argument against capitalism even though he is not a capitalist at all.

My first point is that the statist businessman is a conservative in the most literal sense of the word. He is a *caretaker,* not a *risk taker.* Rarely the owner of his own enterprise, he places a premium on permanence over growth. In his mission to preserve and protect, he seeks state shelter against what Schumpeter called "the perennial gale of creative destruction." Put simply, he wants government to guarantee him security

without risks, the opportunity to succeed without the possibility of failure.

The taxicab driver, the dry cleaner, and the barber can't operate that way. They don't have accounting departments; they can't afford to hire lawyers and lobbyists. The small businessman is close to the ground while the big businessman is flying at 50,000 feet above it – and at that altitude you don't see individuals, you see aggregates. The barber doesn't deal with aggregates; he deals with electricity bills and supplies and customers. As George Burns once said, "It's too bad that the only people who know how to run the country are too busy driving cabs and cutting hair."

Given the essential conservatism of corporate culture – the aversion to risk, the resistance to change – you'd think that the statist businessman would quickly become a casualty in our ever-changing economy. If we were operating in a truly free market, he would. But he has bought himself insurance against that eventuality, which brings me to his second contribution.

Businessman As Lobbyist

The statist businessman is, by definition, a lobbyist. Having made his peace with 20th-century collectivism, he is fundamentally concerned with "who gets what" from government's redistributive powers. He seeks subsidies for himself and penalties and regulations for his competitors. He is the miserable figure Ronald Reagan described as the fellow who hoped the crocodile would eat him last.

After the election, I read an article that reported that corporations and business PACs that had supported Democrats during the campaign were now tripping all over themselves to pay off the campaign debts of the Republican winners. It's called "catching the late train" in politics, and its destination is Washington. Those corporate contributors did not have some sort of epiphany or conversion; they merely reshuffled their political portfolios. In the words of one donor, "We don't really look at it as an eraser on the pencil, but as a way of letting the winner know we'd like to be the same friend to him as we were to the guy he defeated."

It's that kind of "friendship" that Secretary of Labor Robert Reich called into question when he challenged Congress to cut "corporate welfare." Using a list drawn up by the Progressive Policy Institute, Reich estimates that the federal government could save $225 billion over five years by cutting what he calls "Aid to Dependent Corporations" – welfare for the wealthy in the form of special subsidies and tax breaks. The list includes such things as tax breaks for pharmaceutical firms operating in Puerto Rico, credits for producers of ethanol, subsidies to farmers whose food sells at below government-set prices, and subsidies to utilities serving rural areas long after electrification – the program's original purpose – has been achieved.

Think of it: we live in a world today where the liberals are really the conservatives; the conservatives are really the liberals; and half the businessmen aren't even capitalists.

The statist businessman would tell you that Reich is completely wrong. I don't agree. Amazingly, I believe he is completely right. Subsidies granted to particular corporations by the government are quintessentially anti-capitalist. But predictably, of course, Reich is right for all the wrong reasons. He wants to cut corporate welfare so that he can expand social welfare. He's in favor of limiting business' claim on government – he's not in favor of limiting government's control of business. He's eager to abolish subsidies – not penalties. Because of that, statist Republicans will complain that Reich is hostile to capitalism. They are right. But remember, in this Alice in Wonderland debate, the programs he seeks to cut have nothing to do with capitalism to begin with.

Trashing Capitalism

The bureaucratic businessman is no better than any other special-interest group that feeds off of Washington. But in one important sense he is much worse, which brings me to the third part of the problem he creates. Lobbyists give a bad name to the things they lobby for. The NEA gives a bad name to education. The AMA gives a bad name to medicine. But the statist businessman does not give a bad name to statism; he gives a bad name to capitalism!

The quote that's always trotted out to indict capitalism is from Thomas Murphy, former chairman of GM. "General Motors is not in the business of making cars. General Motors is in the business of making money." In a truly free market, you wouldn't be able to make money without making a quality product. But the bureaucratic businessman is constantly finding ways around that difficulty. For instance, he can lobby the government for trade sanctions against Japan. He can lobby the government for subsidies. He can lobby the government for a taxpayer-paid publicity campaign. There are all sorts of ways that one can subvert the free market and still make a buck – all in the name of capitalism!

By committing statist sins under capitalist cover, the bureaucratic businessman bears false witness against the free market. And that's why I'm here today simply attempting to clarify the terminology of this debate. Think of it: we live in a world today where the liberals are really the conservatives; the conservatives are really the liberals; and half the businessmen aren't even capitalists. That's why I suggest that we anchor our debate to Cavallo's very simple definition of the role of government: "to guarantee the integrity of market transactions."

What does it mean, for example, when the president tells us, as he did

in the State of the Union address, that the federal government still wants to be "partners" working "hand in hand" to help the middle class? Given the monumental evidence of government failure over the past 25 years, I'm not sure whether we should interpret that as a promise or a threat. Clinton is promising, once again, to "reinvent government." But what he doesn't understand is that the people don't want government *reinvented;* they want it *reduced.* They don't want bureaucracy *modernized;* they want it *minimized.*

What should we think when the president proposes a budget that would spend $1.6 trillion and then tells us how much money that's going to save? When we're told that our government will spend $1.6 trillion next year, our eyes glaze over. That's because trying to imagine $1.6 trillion is like trying to imagine eternity or infinity. Finally, what does it mean when Republicans and Democrats alike warn us about all the "pain" involved in cutting government spending? Where's the pain in *their* spending less of *our* money? Maybe it's painful for the politicians, but for the average citizen, what pain is there in keeping more of his own money to invest the way he wants?

I also wonder what Mr. Cavallo would say about the whole debate over how much different plans to cut taxes would "cost" government. No government in the history of the world has borne the cost of anything. Taxes cost *people.* Tax cuts do not cost *government.*

Those simple principles are as true for Arizona as they were for Argentina. And it was a senator from Arizona who perhaps articulated them best. "I have little interest in streamlining government or in making it more efficient," said Barry Goldwater, "for I mean to reduce its size. I do not undertake to promote welfare, for I propose to extend freedom. My aim is not to pass laws, but to repeal them. It is not to inaugurate new programs, but to cancel old ones that do violence to the Constitution, or that have failed in their purpose, or that impose on the people an unwanted financial burden ... And if I should later be attacked for neglecting my constituents' "interests," I shall reply that I was informed that their main interest is liberty and in that cause I am doing the very best I can."

We should be thankful that we're not in the situation we found ourselves in only 20 or 30 years ago, when many feared – or hoped – that we were on the verge of becoming a socialist America.

We will not have a true revolution, and we will not be able to keep up with the coming challenges of the new economy, if we do not free those whom statism has failed to help and capitalism has failed to reach.

No one talks, as George McGovern or John Kenneth Galbraith once did, of nationalizing industries. By and large, the question of whether government can improve on the free market has been settled, and the answer is "no, it can't." It can't because that's not its role.

Extending The Capitalist Revolution

The question for the 21st century will be whether the free market can improve on the government; and I believe the answer is "yes, it can." As we look ahead to the challenges of tomorrow's globalized economy, the answer is not just that it *can* but that it *must.*

Even if the Republicans pass every item in their Contract with America, they will have succeeded only in liberating the economy, the top half of our society. The bottom half will still be mired in socialist bureaucracy. In that sense, the contract leaves intact our current social contract, one which Jack Kemp describes as "capitalism for the rich and socialism for the poor."

We may be winning the battle of ideas, but we could still lose the war. True revolutions sweep across 100 percent of a society, not 50 percent. By all means let's liberate the economy. But we will not have a true revolution, and we will not be able to keep up with the coming challenges of the new economy, if we do not free those now quarantined in the decaying confines of the collapsing welfare state.

I am talking not just about the direct costs of exorbitantly expensive socialist policies; I am talking not just about the opportunity costs of all those who will not be joining us in creating the new economy; I am talking about the price of the continued human degradation of those whom statism has failed to help and capitalism has failed to reach. That situation is not just morally unconscionable, it is politically untenable. Remember, the statist businessman does not discredit statism, he discredits capitalism. And believe me, any increases in joblessness, or homelessness, or child poverty since the day the 104th Congress convened will be seen not as statist failures but as capitalist failures. If we were either a statist country or a libertarian, free market economy, we'd know what to do. But we're neither. And we're both.

The hardest thing for a country to do is to cross the bridge of revolution. That's because no matter how bad things get on this side of the bridge, there's always the fear that things on the other side could be even worse. I believe that as we approach the 21st century, we need leaders who can tell us stories of the future – leaders with a vision of what life looks like on history's other side. Because in the final analysis, revolutions are fueled not just by frustration, not just by theories, not just by outrage, but by a vision of a better future and the will to cross the bridge. ✪

Theodore Forstmann is a founding general partner of Forstmann Little & Co., a New York investment firm, and a member of the Cato Institute's board of directors. This article is from remarks he delivered at a Cato Institute forum in Tucson, Arizona in February.

The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE RICK JORE
HOUSE DISTRICT 73

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COMMITTEES:
JUDICIARY
TRANSPORTATION
AGRICULTURE

August 27, 1998

Mr. Peter Blouke
Mt. Dept. of Commerce
1424 9th Ave.
Helena, MT 59620

Dear Mr. Blouke,

Thank you for sending me the proposed "objectives and strategies" for the "economic development strategic planning process" and allowing me the opportunity to comment. I will refrain from commenting on the details and mechanics of each "potential strategy" for the sake of brevity and because I'm sure you will understand my position from a philosophical perspective.

Let me first state my premise: Government cannot give something to somebody that it has not already taken from somebody else. Every dollar of taxation directly competes with expansion and seed capital. Government cannot create capital. Government funds that are available for capital is merely capital that is taken from the private sector, where it was created.

It is not a proper function of government to be directly involved in economic development planning. When we have a correct understanding of free markets and limited government we do not ask, "What can government do to enhance economic development?" but rather, "How can we prevent government from interfering with economic development?" The obvious answer to the question is less taxation and less regulation.

Most of the fifteen listed objectives are simply not a proper function of civil government in a free market economy. "Potential strategies" included eleven different appropriations totaling $1,666,000, a request to forgive $13,100,000, additional funding for one program, continued funding for another, reserving an additional

$10,000,000 for job investment loans, and authorizing the sale of $20,000,000 in bonds. I can't help but compare these numerous statist suggestions of ever more government intervention and spending with the one tax reduction suggestion on business equipment, which is far too timid to be significant. The business equipment tax needs to be abolished rather than reduced, which would negate the need to shorten the depreciation period.

Under the topic of "regulations" it is interesting that even though the stated objective is to "ensure that all regulations are reasonable and necessary," there are no suggestions for abolition of any regulations, but rather an emphasis that regulatory agencies develop an attitude of "compliance assistance." And this at a cost of $50,000 no less.

The fact that the Montana Constitution establishes certain trust funds, (foolishly, in my opinion) should not lead us to assume that it is proper for the State to be in the banking business. Nor is it proper for the State to play "Santa Claus" to selected (favored) organizations or businesses through grant and loan programs, or even tax credit schemes.

The concept of forgiving the Montana University system $13,100,000 is repulsive to me. This suggestion is representative of how lightly the legislature, the bureaucracies and, unfortunately, many of our citizens, consider the inappropriateness of forcibly taking, through taxation, the productivity of one person or industry and arbitrarily bestowing it upon another. The fact that most of this money was used to secure federal grants is an indication of our selfishness and lack of integrity in that we are willing to compromise constitutional limitations on the Federal Government for our own gain and to enslave our posterity with an unbearable national debt.

Economic development takes place when capital is left in the hands of those who created it. Reliable, stable and sustainable economic development happens in a free market economy where people are entitled to the fruits of their own labors, not someone else's. Government will have the least interference by cutting/abolishing taxes and regulations to the greatest extent possible.

I encourage you to advocate for less, far less, taxation and regulation.

Sincerely,

Rick Jore